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C O N F I D E N T I A L SECTION 01 OF 02 JERUSALEM 000860

SIPDIS

NEA FOR FRONT OFFICE AND NEA/IPA, EEB FOR EBA/CBA, NSC FOR SHAPIRO/KUMAR, TREASURY FOR MOGER, JOINT STAFF FOR LTGEN SELVA

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TAGS: ECON ETRD BEXP EAGR PREL KWBW IS

SUBJECT: CHEMICAL BANS AFFECTING SANITARY STANDARDS AT WEST BANK DAIRIES

REF: JERUSALEM 516

Classified By: Acting Principal Officer Greg Marchese for reasons 1.4 (b), (d).

¶1. (C) Summary: Israeli restrictions on chemical imports have led to a reduction in product sanitary standards at West Bank dairies, posing a food safety concern as well as affecting Palestinian businesses. At least three major West Bank dairy companies can no longer obtain chemical sanitizing agents for paper milk cartons, raising concerns about the safety of milk supplies, particularly in Gaza. End summary.

¶2. (C) Three major dairies in the West Bank report they are unable to import an essential sanitizing agent for production. Al-Juneidi (the West Bank's largest dairy) and Al-Jebrini (the second largest) and Al-Safa all use "TetraPak" packaging technology that, according to the Swedish manufacturer, requires a specific concentration of hydrogen peroxide (35 percent). The hydrogen peroxide coats and sanitizes the paper packaging material. In 2008, the GOI began refusing Palestinian companies' applications to import hydrogen peroxide at the required concentration, citing security concerns. The GOI suggested it would allow imports at a lower concentration (17 percent), but Palestinian companies say the lower concentrations violate TetraPak equipment sanitary standards.

¶3. (C) Note: The same ban has caused the National Beverage Company (NBC), the West Bank's Coca-Cola franchise, to shut down a juice line that accounted for about half of the company's total juice production (reftel). NBC's General Manager told EconOff that the company shut down the line to avoid compromising Coca-Cola's strict sanitary standards. NBC CEO Zahi Khouri told a US Congressional delegation on May 26 that the GOI has suggested he move his juice packing line to a settlement to resolve his import problems. End Note.

¶4. (C) Al-Jibrini Dairy General Manager Jihad Jibrini told EconOffs during a May 19 visit that his company installed the TetraPak equipment in its Hebron facility in 2007 and obtained 35 percent hydrogen peroxide from an Israeli supplier without difficulty until about six months ago. Since then, the GOI has allowed the dairy to import only lower concentrations. Clearly uneasy about discussing the matter, Jibrini said the dairy is now using the lower concentration to sanitize its milk packages. He admitted, "We don't know what will happen," but, given the alternative of shutting down milk production, the company decided to take the risk. The TetraPak lines, he said, account for about 30 percent of the company's entire production.

¶5. (C) Jibrini said his concerns about milk safety are

growing as the weather turns hotter. He noted that milk sold to Gaza, for example, can be exposed to the sun for extended periods of time during back-to-back transfers at West Bank and Gaza border crossings, seriously affecting the milk's quality. He added that the GOI has also refused to allow imports of nitric acid used to clean steel pipes in dairy equipment.

¶6. (C) Al-Juneidi Dairy Director General Mashour al-Juneidi told EconOff on May 27 that his company, the West Bank's largest dairy, also installed a USD 3 million TetraPak packaging line in 2007 and used 35 percent hydrogen peroxide mix for about a year before the GOI refused to allow it. He said the dairy decided to continue production with a 17 percent concentration.

¶7. (C) To address safety concerns, al-Juneidi said the company installed computerized quality monitoring equipment and special high-heat testing rooms in its Hebron factory. He noted that milk samples periodically fail testing procedures with excessive levels of bacteria, and that the dairy frequently has to suspend production when product quality alarms go off. Al-Juneidi said he continues to appeal to Israel Defense Forces officials to permit imports of 35 percent hydrogen peroxide. Like Jibrini, he expressed concern about quality degradation of milk sold to Gaza from sun exposure during back-to-back transfers at the border crossings.

¶8. (C) Jibrini and al-Juneidi said that Al-Safa Dairy in Nablus, which is operated by the Ministry of Awqaf (Religious Affairs), is experiencing similar problems.

JERUSALEM 00000860 002 OF 002

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